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# 05 | FEMALE ENTREPRENEURSHIP IN EMERGING ECONOMIES: WHAT DO WE NEED TO KNOW?

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## INTRODUCTION AND FRAMEWORK

The world is experiencing a period of unprecedented scientific progress along with major economic, political and social transformations. The emergence of exponential technologies, based on increasing computing capacities, is bringing promises of solutions to critical challenges in health, education, and environment. Genetic engineering, artificial intelligence, robotics, 3D-printing, nanotechnology, and synthetic biotechnology among other technologies are rapidly reshaping most industries and introducing disruptions in business models (Ilie et al., 2017).

However, the benefits from these technologies are not being enjoyed by all countries equally neither by their different social strata (Schwab, 2015). Economic and social inequalities have created barriers for people, in particular women, to profit from technological advance. Even considering the major progress women have made during

the last two decades, the gaps are proving resilient “not only between women and men but also among women themselves”. [To reduce this gap] “women’s economic empowerment must be placed at the centre ... to build economies that are not only more prosperous and resilient but also more equitable” (UN, 2017: p. 10). In this context, one of the main challenges of companies, governments, and policy makers should be the creation of favourable conditions for the incorporation of women to the increasingly evolving international network of production and service systems.

In fact, this challenge is part of the 2030 Agenda for Sustainable Development. A plan of action for governments, civil society, and companies, aimed at ending poverty and inequalities worldwide (UN, 2015) by adopting a set of Sustainable Developing Goals (SDG) targeting



different fields. Specifically, “achieving gender equality and empower all women and girls” is the SDG 5 and involves that institutions should ensure “women’s full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic, and public life” (UNWomen, 2015).

In entrepreneurship, the gender gap is commonly defined as the difference between men and women in terms of numbers engaged in entrepreneurial activity, motives to start or run a business, industry choice and business performance and growth (Vossenbergh, 2013). Empirical evidence shows that in the vast majority of countries, the total entrepreneurial activity (TEA) rate is lower for women (Kelley et al., 2016) in comparison with men, this may suggest that an important part of the female talent pool is untapped. As a consequence, the identification of factors associated with the gender gap is key to guide public policy and investment decisions. This has been extensively studied for developed countries (Afandi & Kermani, 2014; Bönnte & Piegeler, 2013; Caliendo et al., 2014; Fairlie & Robb, 2007) but to a lesser extent in emerging economies.

In these emerging economies and because of the disadvantages and discrimination in education and in the labour market, it can be thought that women most often do not have the same entrepreneurial experience as men. However, research shows that female entrepreneurship is usually higher in developing than in developed countries (Minniti et al., 2005) because in the former there are bigger barriers for women to enter the labour market; then women need to choose entrepreneurship as a suitable and viable way to make a living (Minniti & Naudé, 2010).

In this line, previous research (Fairlie & Meyer, 1996; Fairlie & Robb, 2007; Van der Zwan et al., 2012) has shown that children of self-employed parents have higher TEA rates than those of non-business owners as these children received an early learning of entrepreneurial competencies (mainly general managerial skills and business information) (Fairlie & Robb, 2007). In fact, being exposed to parental entrepreneurial activity, work satisfaction, risk tolerance, and income are linked to an increased probability of self-employment (Bernat et al., 2017).

For example, in Latin America and the Caribbean the Global

Entrepreneurship Monitor survey showed that the overall levels of entrepreneurship (measured as TEA rates) at 15% for females and 19% for males are significantly higher in comparison to those in European developed countries, 5% and 9% respectively, and to those in the USA, 10% and 15% respectively (Kelley et al., 2013). Latin America is a region made up of multiple types of countries and market structures where labour market conditions and institutions are behind that of developed countries (Bernat et al., 2017); in such markets the explanation for a relatively higher TEA may lay on a particular familiar and cultural context along with a business environment that seems to promote the interest in searching opportunities and, therefore, in entrepreneurship for women (Luke & Munshi, 2011).

In addition, institutional and contextual variables are significant determinants of entrepreneurial activity. Afandi and Kermani (2014), for example, found a relation between gross domestic product per capita, female labour participation, maternal mortality ratio, and indicators of law and order (formal institutions) and the level of female entrepreneurship activity. Also, poor government policies encouraging the development of female entrepreneurship, laws, and services have been identified as a barrier for women entrepreneurs (Jamali, 2009). Most research indicates that regulations, taxation, and legal barriers can pose serious obstacles for running and starting a business (Vossenbergh, 2013).

Other research works point out that normative restrictions and social attitudes based on cultural and religious beliefs in some circumstances (i.e. socially accepted informal institutions) are not helpful to the work of women in general or that of female entrepreneurship (Baughn et al., 2006; Jamali, 2009). In fact, in several places, entrepreneurship is perceived as an appropriate career choice for men or for the poor and not the educated (which commonly are women). These perceptions are justified in the link between entrepreneurship and male stereotypes (Aidis et al., 2007; Bird & Brush, 2002).

In addition, research findings are not conclusive and empirical evidence is mixed on why the gender gap in entrepreneurship is bigger in certain regions or countries (Minniti & Naudé, 2010). For example, in China it has been found that the local legal environment has

a significantly positive effect on small firms product innovation, technological innovation, process innovation and management innovation (Jiao et al., 2015). The growth of these companies is based on private capabilities (rather than on the support from the government) and also the perceived barriers for their expansion are mainly internal rather than environmental (Cardoza et al., 2016; Cardoza et al., 2015). Nevertheless, as stated above, in the vast majority

of countries the TEA is still lower for women than for men (Kelley et al., 2016) and also the largest gaps between women and men are found in Economic Participation & Opportunity and in Political Empowerment, at 41% and 73%<sup>1</sup> respectively [In comparison, global gender parity has almost been achieved in Educational Attainment and in Health & Survival with gaps of just 5% and 4%, respectively (World Economic Forum, 2018).] (World Economic Forum, 2018).

## POVERTY PUSH VERSUS OPPORTUNITY PULL

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As mentioned above, entrepreneurship in emerging countries can be a suitable route for the development of women. Entrepreneurship has the power to transform markets, industries, communities, families, and individuals, (Yunus, 2005) and also it is ultimately about empowerment and transformation to create own's future, job income, wealth, identity, sense of purpose, and ability to give back (Morris et al., 2018). In this context, many see entrepreneurship in developing economies as a push out of poverty rather than a business opportunity waiting to be seized (see for example (Amoros & Cristi, 2011; Brutton et al., 2013; McMullen, 2011) but not all the evidence supports this. For example, in the 2017 Forbes list of the world's 56 self-made women billionaires, there were 21 Chinese entrepreneur; and co-founders of companies like Haier, Alibaba, and Huawei are women (Tse & Tai, 2018).

In fact, a recent survey in China (Girup.org, 2017) shows that China's promotion of gender equality, especially workplace equality, has had a strong influence to reach a TEA female/male ratio of 0.87, above the global average of 0.7 (as measured by the Global Entrepreneurship Monitor); this is a major improvement as before 1950 women entrepreneurs were almost unheard of in China. The survey also shows the following:

- in the past successful businesswomen tended to start their careers in state-owned enterprises where they developed their business acumen, improved their managerial skills, and saved up the capital needed to

start a business. Today, more are starting from scratch, and starting earlier in their lives,

- women entrepreneurs in China today tend to concentrate in the 21-30 age group (as a reference, the 36-45 age group predominate in the national female workforce),
- failure is no longer stigmatised; in the sample many women were second- or even third-time entrepreneurs,
- technology seems to have empowered Chinese women. Several years ago, traditional sectors such as real estate and logistics were the fastest path to wealth for women. Currently they perceive non-traditional industries as those with lower entry barriers and a more gender-neutral environment. In the sample, 36% of Chinese women entrepreneurs work in the digital economy, of which around 64% are in the BAT (Baidu, Alibaba, Tencent) ecosystem. Good examples of this kind of start-ups are Jiayuan.com and Dhgate.com,
- Improvements in education attainment have encouraged women. More Chinese are attending university overseas and many return home to start a business; about 60% of China's women entrepreneurs were educated abroad, 51% in the US.

In addition, a 2019 survey of women entrepreneurs from 15 Latin American countries (Ilie & Cardoza, 2019) shows that:

- a university degree seems to be a driver for starting a company, 76% of women entrepreneur are in

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<sup>1</sup> In comparison, global gender parity has almost been achieved in Educational Attainment and in Health & Survival with gaps of just 5% and 4%, respectively (World Economic Forum, 2018).

possession of one (81% men),

- being single and independent seems to be a stronger driver for women than for men to start a business, only 53% were in a formal relationship when started a venture (this compares with 70% of men),

- women in the sample have started companies in more traditional and social-related industries (like communication, health, human resources, hospitality and tourism, and construction) in comparison with men that have started firms in newer industries (like software, banking and financial services, construction, and agribusiness),

- women seem to be willing to take lower risks than men,

- men-led companies expect higher growth in the next years (which may be related to the industry they operate),

- women-led businesses have more women in their decision-making bodies and among their employees,

- family-related duties (like pregnancy, adult care, lack of family support or divorce) represent 21% of the reasons for women to abandon a business (this compares with only 2% for men).

The findings from these surveys focused on women entrepreneurs present a picture where opportunity

seems to be the main driver for pursuing the founding and development of new ventures in these emerging economies. Women that are in their 20's, single, with university-level education, with experience abroad, and with little fear to fail are overcoming the challenges usually found in developing contexts have become entrepreneurs. This is consistent with the findings from the Global Entrepreneurship Monitor, today's women entrepreneurs are more opportunity-driven compared to their predecessors, even their male counterparts (Tse & Tai, 2018).

In addition, the figures in China are presenting a picture that requires a second look. Female entrepreneurship is booming as shown, the first reaction would be to think that this is the result of an economy with sustained high growth and focused on innovation. But there may be another key element playing a role; since the start of the reforms at the end of the 1970s China's social structure has dramatically changed making room for a new structure without the legacies, barriers, and socially accepted/not accepted behaviours. This may have created an environment where women are in a similar position as men to get involved in economic activities including entrepreneurship, which is different from the legacy structures encountered in other countries.

## QUESTIONS LOOKING FOR ANSWERS

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Within this context, the following questions need answers to understand better female entrepreneurship in emerging economies with the aim of improving the conditions for women-led companies to develop.

### 1. Questions related to the business environment.

- What are the drivers/enablers and barriers for female entrepreneurship in less developed contexts?
- Are institutional voids an extra barrier for the development of women-led firms?
- What do women entrepreneurs need to flourish in a relatively weak institutional environment like the one usually found in emerging economies?

- What are the institutions doing to follow the Agenda 2030 and enhance the female role in the business sector?

### 2. Questions related to areas for business opportunities.

- Are technological changes an accelerator for female entrepreneurship?
- Would the encouragement of IT-related university-level education for women improve the entrepreneurship rate?
- Are women in emerging economies more risk averse?

### 3. Questions related to the social structure.

- How to level the playing field for women when socially

accepted norms that privilege men for most economic activities (Branisa et al., 2013; Sen, 2001)?

-Can women supporting themselves shine together (Friedman, 2013)?

-Can the social changes in China since 1978 be considered a blank slate that put women in a similar situation as men for the development of new ventures (Pinker, 2002)?

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